

The House Committee on Higher Education offers the following substitute to HB 63:

A BILL TO BE ENTITLED
AN ACT

To amend Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia Annotated, relating to the Georgia Student Finance Authority, so as to provide for direct loans to students for attendance at certain postsecondary institutions at the rate of 1 percent annually; to provide for definitions; to provide for the maximum amount of such loans; to provide for eligibility requirements; to provide for the random selection of recipients of such loans from eligible applicants; to provide for a fund for such loans that is separate from the general loan fund; to provide for related matters; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia Annotated, relating to the Georgia Student Finance Authority, is amended in Subpart 3, relating to educational loans financed by state funds, by revising subsection (a) of Code Section 20-3-373, relating to the general loan fund for education loans financed by state funds, as follows:

"(a) The authority shall maintain a general loan fund to which shall be credited:

- (1) State funds appropriated for use by the authority for educational loan purposes as specified in this subpart other than service cancelable loans;
- (2) Unrestricted moneys received by gift or otherwise and other moneys available for and determined by the authority to be used for the purposes of this Code section;
- (3) Outstanding educational loans held by the authority under this subpart as to which the borrower does not have a right to repay and cancel the loan through services rendered;
- (4) Principal collected on all educational loans held by the authority under this subpart, including the principal portion of payments received from the corporation in discharge of its guaranty liability on such loans; and

(5) Such amounts as may be transferred to the fund from the service cancelable loan fund or the administration fund of the authority.

The authority is authorized to use moneys available in the fund to make guaranteed educational loans to eligible students and parents in accordance with its rules and regulations and Part 2 of this article. The authority is further authorized, under such limited circumstances as it may prescribe, to use moneys available in the fund to purchase guaranteed educational loans made by other lenders under Part 2 of this article and to sell guaranteed educational loans made or owned by the authority to eligible lenders."

SECTION 2.

Said part is further amended by inserting a new subpart to be designated Subpart 4A, to read as follows:

"Subpart 4A

20-3-400.

As used in this subpart, the term:

(1) 'Cost of attendance' of a student means the cost of attendance calculated in accordance with Title IV.

(2) 'Eligible high school' has the same meaning as set out in Code Section 20-3-519.

(3) 'Eligible postsecondary institution' means:

(A) A unit of the University System of Georgia that offers associate or baccalaureate degrees; or

(B) An institution of higher education located in this state that offers associate or baccalaureate degrees; that is accredited by a regional accrediting agency recognized by the United States Department of Education; that is not a Bible school or college; that admits as regular students only persons who have a high school diploma, a general educational development (GED) diploma, or a degree from an accredited postsecondary institution; and whose students are eligible to participate in the federal Pell Grant program.

(4) 'Expected family contribution' means expected family contribution calculated in accordance with Title IV.

(5) 'Title IV' means Title IV of the federal Higher Education Act of 1965, as amended, 20 U.S.C.A. Section 1070, et seq.

20-3-401.

(a) The authority is authorized to provide direct loans to students in accordance with the provisions of this subpart and regulations of the authority promulgated to implement this subpart.

(b) The interest rate for loans provided in accordance with this subpart shall be 1 percent annually.

(c) The maximum amount of a loan under this subpart shall be the lesser of: \$10,000.00 per year; or the cost of attendance of a student minus the expected family assistance and the estimated amount of the student's loans, grants, and scholarships, including loans, grants, and scholarships provided under Title IV. Each applicant for a loan shall be required to apply for other educational assistance, including scholarships, grants, and state funded or Title IV loans, and to provide information regarding such other applications and the result of such applications as a condition of applying for a loan under this subpart. Loans under this subpart are designed as funding of the last resort for students who have diligently sought scholarships, grants, and state funded or Title IV loans.

(d) Eligibility for a loan under this subpart shall be determined annually. A student who has graduated from an eligible high school shall be eligible for a loan for the first year of attendance at an eligible postsecondary institution if the student graduated from an eligible high school before May 1, 2007, with a cumulative grade average of at least a 75 numeric average in his or her core curriculum subjects or if a student graduated from an eligible high school on or after May 1, 2007, with a cumulative grade point average in the student's core curriculum subjects of at least 2.5 on a 4.0 scale. A student's cumulative grade average or grade point average shall be calculated by the methods set out in Code Section 20-2-157. A student who has earned a cumulative grade point average of at least 2.0 at an eligible postsecondary institution shall be eligible for a loan for a second or a subsequent year of attendance at an eligible postsecondary institution.

20-3-402.

(a) The authority shall establish and maintain a separate fund for loans in accordance with this subpart to which shall be credited:

- (1) State funds appropriated for use for loans under this subpart;
- (2) Moneys received by gift or otherwise for loans under this subpart;
- (3) Outstanding educational loans held by the authority under this subpart; and
- (4) Principal and interest collected on educational loans held by the authority under this subpart.

(b) Beginning with the first fiscal year following the fiscal year in which the fund has a balance of \$500,000.00 or more, for each fiscal year, the authority shall determine the

1 amount of moneys available for loans under this subpart and shall determine the applicants
2 who are eligible to receive such loans. The authority shall determine which eligible
3 applicants receive loans by a random selection process in which each eligible applicant has
4 an equal chance of being selected for a loan.

5 (c) The authority shall be entitled to establish a reasonable fee for the processing and
6 collecting of loans made under this subpart. Such fee shall be established by the authority
7 by rule or regulation."

8 **SECTION 3.**

9 All laws and parts of laws in conflict with this Act are repealed.